

Introduced by Senator Margett
(Coauthor: Assembly Member Nation)

February 19, 2003

An act to add Chapter 2.6 (commencing with Section 17360) to Division 6 of the Financial Code, relating to escrow agents.

LEGISLATIVE COUNSEL'S DIGEST

SB 374, as introduced, Margett. Escrow agents: fidelity bond coverage.

The Escrow Law provides for licensing and regulation of persons engaged in the business of escrow agents by the Commissioner of Corporations, unless exempted. Existing law requires licensed escrow agents to be members of the Escrow Agents' Fidelity Corporation, which is established as a nonprofit corporation to indemnify its members against loss and which is funded by assessments on its members.

This bill would authorize a licensed escrow agent licensee in good standing with the department to provide a private fidelity bond as an alternative to participation as a member of the Escrow Agents' Fidelity Corporation, and would establish procedures in that regard. The private coverage would be available for real property escrows or personal property escrows, but would exclude viatical settlement escrows.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Chapter 2.6 (commencing with Section 17360)
- 2 is added to Division 6 of the Financial Code, to read:
- 3

CHAPTER 2.6. PRIVATE FIDELITY BOND PROGRAM

17360. Notwithstanding Chapter 2.5 (commencing with Section 17300), an escrow licensee may, as an alternative to the requirements of that chapter, provide a private fidelity bond pursuant to this chapter.

17361. A licensee in good standing with the department whose escrow business location is located within the State of California and who engages either in real property escrows, as described in paragraph (1) of subdivision (c) of Section 17312, or in personal property escrows excluded from coverage by Section 17312, may provide a private fidelity bond. However, this chapter shall not apply to viatical settlement escrows.

17362. A licensee who has the option to choose either the coverage of the Escrow Agents' Fidelity Corporation under Chapter 2.5 (commencing with Section 17300) or coverage of a private bond under this chapter shall notify the department and the fidelity corporation of his or her choice no later than January 1 of each year relative to coverage for the year beginning that January 1.

17363. A licensee that opts out of the coverage provided by the Escrow Agents' Fidelity Corporation shall have in place the alternative private fidelity bond coverage on or before June 30 of the year that coverage is changed.

17364. The commissioner, by regulation, shall determine which of the provisions of Chapter 2.5 (commencing with Section 17300) shall apply to private fidelity bond coverage under this chapter.

17365. Sections 17331 and 17402 shall not apply to private fidelity bond coverage under this chapter.